

CARICOM (Caribbean Community)

JICA Country Analysis Papers

Japan International Cooperation Agency

March 2022

The JICA Country Analysis Paper is a document prepared by JICA that analyzes each country from a development perspective, and is intended to be used by development agencies in considering and implementing effective cooperation with the country concerned. It is also intended to provide information from a development perspective for the Japanese government when formulating aid policies such as Country Development Cooperation Policies. The actual contents of cooperation and projects to be implemented in a country will be reviewed and determined according to the policies of the Government of Japan, the size of the budget for each fiscal year, and the circumstances surrounding the project.

Summary

Overview: Comprised of 14 countries and 1 region, ranging from small island states to coastal continental states, and from low-income countries to high-income countries that have graduated from Official Development Assistance (ODA), each country has a wide variety of characteristics.

- CARICOM: The Caribbean Community (CARICOM) was established in 1973 to promote economic integration, foreign policy coordination, and functional cooperation in health care, education, and other areas among member countries. It currently consists of the following 14 countries and 1 region.
 - 14 Countries: Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname, Trinidad and Tobago
 - 1 Region: Montserrat
- Geography: In the West Indies, the islands include the Bahamas as the northernmost island, the Greater and Lesser Antilles, Guyana and Suriname on the coast of South America, and Belize on the Central American continent.
- Population: Countries with population over 1 million (Haiti, Jamaica, Trinidad and Tobago), Countries between 500,000 and 1 million (Guyana, Suriname), Countries less than 500,000 (Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Grenada, Saint Kitts and Nevis, and Saint Lucia, Saint Vincent and the Grenadines).

Politics: Every CARICOM Member Countries hold a Democratic Political System, and many countries understand Japan's position in the International Community.

- Since the 1960s, many countries have gained independence from the United Kingdom, the Netherlands, and France. Antigua and Barbuda, the Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, and Trinidad and Tobago are still part of the Commonwealth.

Corruption Rate: According to the "Corruption Perception Index" published by the Transparency International, Barbados (29th out of 180 Countries) has the lowest corruption rate in the region, followed by the Bahamas (30th), Saint Vincent and the Grenadines (40th), Saint Lucia (45th), Dominica (48th), Grenada (52nd) and Jamaica

(69th). Corruption rates are notably lower than the average of Africa and the Pacific, Central American countries . On the other hand, some countries have high corruption rates, such as Guyana (83rd), Trinidad and Tobago (86th), Suriname (94th), and Haiti (170th) at its lowest. There are a certain number of countries, which hold several issues and challenges in terms of corruption and governance.

- Current Regime and Number of Seats: In the past five years, there has been a change of government in seven countries: Jamaica (2016), Bahamas (2017), Barbados (2018), Belize (2020), Guyana (2020), Suriname (2020), and Saint Lucia (2021). For three of these countries, Barbados, Belize, and Suriname, this is the change of government in more than 10 years.
- Relationship in the International Community: CARICOM Member Countries supports and understands Japan's position in various international elections, Security Council reforms, whaling, and sustainable use of marine natural resources, and is a major force in the International Community with 14 member states, making it a region of great diplomatic importance.

Economy: Tourism-dependent economy, high fiscal deficit and public debt.

- Nominal GDP: Haiti, Jamaica, and Trinidad and Tobago, which have large populations, also have particularly large nominal GDPs in the region, with US\$20.1 billion, US\$14.9 billion, and US\$21.6 billion in 2020, respectively.
- GNI per capita: Haiti has the lowest Gross National Income (GNI) per capita (2020) in the region at US\$1,320. On the other hand, the Bahamas has the highest at US\$26,070. Antigua and Barbuda, Barbados, Saint Kitts and Nevis, Saint Lucia, and Trinidad and Tobago have GNI above US\$10,000, while the other countries are below US\$10,000. For this reasons, many countries are classified as “Middle to High-income countries”.
- Industry: The Industry is very limited in the region. Trinidad and Tobago has oil resources and production of other goods. Guyana is a continental country, whose main industries are minerals and agriculture. Oil production and exports has been initiated in 2020. The Eastern Caribbean Countries and Suriname have traditionally been active in the fishing industry. With the exception of those countries, the current main industry is tourism, mainly beach resorts. In recent years, some countries have seen the development of financial industries such as offshore finance. In addition to tourists from Europe and the U.S., the country relies on imports for most of its goods,

and its overall economic structure is greatly affected by external factors such as the economic situation in Europe and the U.S.

- GDP Growth: Real GDP growth averaged 2.9% in 2018 and 1.7% in 2019, maintaining a slightly low but positive growth rate, but in 2020, the COVID-19 caused border shut downs, which had major impacts to the economies of the CARICOM countries, especially in the tourism sector. Real GDP growth in 2020 averaged -8.7%. Four countries that particularly had a strong impact includes Saint Lucia (-20.4%), Antigua and Barbuda (20.0%), Barbados (-18.0%), and Suriname (-15.9%), whose real GDP growth rates exceeded -15%. Of the 14 countries, only Guyana maintained the positive growth in the COVID-19 disaster. In particular, it recorded a growth rate of 43.5% in 2020, and is expected to reach 20.4% in 2021 and 48.7% in 2022.
- Inflation (Annual Average): CARICOM countries have maintained inflation rates between 1% and 4% since 2018 by fixing and managing the exchange rate, but in Haiti, due to domestic food and fuel shortages, caused by the political unrest, inflation has increased from 12.9% in 2018, to 17.3% in 2019 and 23.0% in 2020. Note that Suriname's inflation rate is expected to increase sharply from 2020, reaching 34.9% in 2020 and as high as 54.4% in 2021, due to logistical restrictions and growth in demand for various consumer goods as a result of COVID-19. It is expected to decrease to 31.7% in 2022, but it will still remain the highest in the region.
- Fiscal balance: The fiscal balance has been poor since before the COVID-19 epidemic due to low revenue and susceptibility to external factors as well as increased expenditures for disaster countermeasures and reconstruction, which has been further aggravated by increased fiscal expenditures to strengthen the health care system, unemployment countermeasures, and various economic recovery measures due to the COVID-19 pandemic. The average fiscal balance for 2017-2020 is particularly high for Dominica (-11.1%) and Suriname (-10.5%), while other countries have deficits of about 3-6% of GDP.
- Current account balance: With the exception of Trinidad and Tobago, the countries have been in chronic account deficits since 2018. In particular, Dominica (-43.1% of GDP) and Guyana (-30.1% of GDP) have the highest deficits as of 2018 in the region, mainly due to their trade and services balance deficits. Haiti and Jamaica also have poor trade and services balances, but their current transfer balance is higher, therefore their current account balances remain at -2.4% and -1.6%, respectively.

- Public Debt: Public debt levels have been high in CARICOM countries since before the COVID-19 pandemic, and the average ratio of public debt to GDP in the region since 2018 has exceeded 70%, which has been a serious situation before the COVID-19 epidemic. In particular, in Barbados, the ratio has exceeded 100% since 2018 and will exceed 150% in 2020. In Antigua and Barbuda, Belize, Dominica, Jamaica and Suriname the ratio temporarily exceeded 100% due to the COVID-19.

Society: High Human Development Index

- Human Development Index: The Human Development Index (HDI) tends to be higher than other Latin American countries, with most countries in the top 100 out of 189 countries, especially the Bahamas, Barbados and Trinidad and Tobago ranks at 58th, 58th, and 67th, respectively. The above three countries are classified as “Very high & High Human Development”. On the other hand, there are some countries, which the HDI is low compared to other countries, such as Guyana (122nd) and Haiti (170th) that are classified as “Medium & Low human development”.

CARICOM (Caribbean Community) Development Policy

- In July 2014, CARICOM developed the “Strategic Plan for the Caribbean Community 2015-2019”, which has four pillars: (1) a review of development needs, (2) a resilience model for socio-economic progress, (3) strategies to renew the commitment to and strengthen actions for enhancing regional unity, and (4) an agenda for the reform of governance mechanisms. The "Strategic Plan for the Caribbean Community 2020 - 2030", which is the next phase of the plan, is currently being formulated.
- While the issues addressed by each country's development plan differ, three issues are of particular importance: Strengthening and Human Resource Development, , Strengthening of national industries, and Developing disaster resilient infrastructure.

Development issues within the Caribbean region

- In addition to earthquakes, tsunamis, and volcanic eruptions, climate change is causing flood damage due to the high frequency of major hurricanes and increased rainfall intensity, as well as high waves and storm surges caused by sea level rise.
- Global warming countermeasures, stable and sustainable power supply, and high electricity prices due to high dependence on imported fossil fuels

- Fishing has traditionally been a thriving industry in the Eastern Caribbean Countries, but some areas are facing the problem of ecosystem degradation due to the decline in marine resources caused by overfishing in some areas. In addition, due to quality and hygiene issues, the scale of exports and sales in tourism-related industries are relatively small, and domestic consumption needs are also limited.
- In island countries with limited land, waste management is also a challenge. There is an urgent need to establish a waste collection system and a sanitary waste management at the final disposal sites, as well as reducing the volume of waste. In addition, the recent problem of marine plastic waste has had a direct impact on the tourism and fishery industries.
- Many countries depend on tourism for nearly half of their industry, and the recent travel restrictions due to the COVID-19 epidemic have had a major impact on their economies. In addition, the limited domestic and regional competitiveness of other industries has led to a negative spiral in which companies are unable to invest in human capital due to their financial situation, further reducing their competitiveness.
- While much of the financial resources are invested in the education sector, the lack of employment in the country has led to a large percentage of people migrating to Western countries for higher education and employment, leading to severe brain drains.
- Noncommunicable diseases (NCDs), which account for more than 80% of deaths in the region, are also a risk for severe COVID-19 illnesses, and there is a high need for cooperation in the health care sector.

Significance of cooperation with Japan and JICA

- It is important in the International Community to maintain good relations with the CARICOM countries, which are a major force consisting of 14 countries. Japan's cooperation with CARICOM countries will contribute to deepening bilateral relations and those with the Caribbean region as a whole.
- It is important from the perspective of socio-economic stability of CARICOM countries and sustainable growth of the region as a whole to share Japan's experience and knowledge as an island nation and to provide support for sustainable development in CARICOM countries, including overcoming vulnerabilities particular to Small Island Developing States (SIDS). Especially cooperation in the areas of environment and disaster prevention, which are common issues for CARICOM countries.

Direction of cooperation

- **Review of cooperation under the current Country Development Cooperation Policy**
 - Under the current cooperation policies common to all CARICOM countries, the seven countries excluding Haiti have been working on "Disaster Prevention and Environment," "Fisheries" (Only in six member countries (Antigua and Barbuda, Dominica, Grenada, Saint Lucia, Saint Kitts and Nevis and Saint Vincent and Grenadines)), and "Reducing inequality" (only in Jamaica) as priority areas under the major objective "Overcoming Vulnerabilities particular to Small Island Development States".
 - In Haiti, under the main goal of "Strengthening social infrastructure through the establishment of basic social services," efforts are being made in the priority areas of "Improving health and sanitation," "Promoting education," "Promoting agriculture and strengthening of food security," and "Strengthening the economic base through Disaster Prevention and Environmental Conservation".
- **Status of cooperation with other major donors and aid coordination mechanisms**
 - Major development partners to CARICOM countries include the Inter-American Development Bank (IDB), Caribbean Development Bank (CDB), World Bank (WB), European Union (EU), United Nations (UN), and other international organizations, as well as historically the United States, Canada, United Kingdom, France, Norway, Netherlands (vs. Suriname), etc., many of which are former suzerain states or geographically close to the region.
 - In the five Taiwan-recognized countries (Belize, Haiti, Saint Lucia, Saint Kitts and Nevis, and Saint Vincent and the Grenadines), Taiwan is providing assistance in infrastructure development, agriculture, and IT industry. In other CARICOM countries, China is rapidly expanding its presence by providing preferential loans and grants as well as vaccines.
- **Future directions of cooperation**
 - Based on achievements and current needs, cooperation will continue to focus on Disaster Prevention and Climate Change Countermeasures, which are common issues in the region.

- Considering the fact that many of the countries have identified "Strengthening of human resource development" and "Promotion of Domestic industries" as major issues, for the former issue, in addition to improving access and quality of education from primary to higher education, we will also promote investment in human capital within each industry and establish mechanisms to develop human resources. For the latter issue, there is a need not only for cooperation in the fisheries sector, but also for cooperation in industrial development, including support to Micro, Small and Medium Enterprises (MSME).
- There is also need for measures against infectious diseases including COVID-19 and non-communicable diseases (NCDs) including life style related diseases, and other cooperation in the health care sector.
- Through these efforts, we expect to contribute SDG's Goal 3 "Health and Welfare for All," Goal 4 "Quality Education for All," Goal 5 "Achieve Gender Equality," Goal 8 "Job Satisfaction and Economic Growth," and Goal 13 "Take Concrete Action on Climate Change."
- In addition to the limited ODA budgets to CARICOM countries, the size and population of the individual country often makes it difficult to formulate bilateral cooperation projects. Therefore, the project will be considered in accordance to the development needs of each country and will be achieved through effective knowledge sharing in the region in collaboration with CARICOM Partner Organizations and International Organizations.
- As for ODA Loan, since most of the countries do not have JICA offices, projects will be mainly formulated as a Joint Finance with IDB under our agreement of "Cooperation for Economic Recovery and Social Inclusion (CORE) in Central America and the Caribbean".
- In order to contribute to a "Free and Open International Order", JICA will share its long experience of cooperation and abundant knowledge and lessons learned in the island countries of the Pacific region to the CARCIOM Member countries, which share the core values and issues as SIDS.

Climate Change Action Program

- Disaster Prevention: In addition to earthquakes, tsunamis, and volcanic eruptions, the Caribbean region is prone to flooding due to the increased frequency and intensity of

major hurricanes and rainfall caused by climate change, and high waves and storm surges due to sea level rise. In the future, while consolidating the results of past cooperation, we aim to increase investment in disaster prevention in advance by mainstreaming disaster prevention, etc. In addition, in the occurrence of a natural disaster, we will cooperate in rehabilitation and reconstruction measures with a view to Build Back Better (BBB). Technical cooperation, Grant aid and ODA Loans will also be utilized for cooperation in the field of disaster reduction.

- Energy: To improve the structure of external dependence on fossil fuels and high electricity prices, further promotion of Energy conservation and Renewable energy will be required. In the future cooperation, we plan to promote the above areas and to contribute to constructing a sustainable and resilient power supply by utilizing the IDB's CORE Scheme. In addition, the project will also consider the deployment of experience gained through the "Pacific Region Hybrid Power Generation System Introduction Project," a technical cooperation project that supports the promotion of renewable energy introduction in the five Pacific countries.
- Waste Management: Since marine plastic waste is a common issue in the region and there are concerns about its impact on the tourism and fishery industries, cooperation on waste management in the islands will be implemented, focusing on measures to deal with this specific issue. By utilizing the good practices of neighboring countries in addition to Japan's experience and methods of waste management, the project aims to improve the basic waste management capacity of each country, and to spread and establish the effects of cooperation on common issues in the region.

Health and Sanitation Improvement Program

- In CARICOM countries, Non communicable Diseases (NCDs), including obesity and diabetes, are becoming more serious, as well as various infectious diseases such as COVID-19. The percentage of deaths due to NCDs in the region is over 80%, thus preventive measures and early diagnosis and treatment of NCDs are of high demand.
- In Haiti, among other countries in the region, improving basic health indicators such as maternal and child health is also an issue, and the project aims to improve and strengthen the health care system.
- Moreover, cooperation with the Caribbean Public Health Agency (CARPHA), a partner organization under CARICOM that is responsible for formulating policies and strategies for the health care sector in the region and measures for disease prevention

in CARICOM countries, will be sought to contribute to the health care sector in the Caribbean.

Education Sector Enhancement Program

- In Haiti, the urgent issue is to develop and improve the educational environment so that public educational services can reach the poor. For other CARICOM countries that have a certain level of educational environment and years of education, the main focus of the cooperation will be to improve the quality of education and vocational training.
- In many countries, with the exception of Haiti, there are many people with primary and secondary education, but due to the low quality of higher education in the country and lack of employment, there are cases where people are moving out of the country for better education and employment.
- The gender disparity in the country and limited schooling opportunities for people with disabilities are also an important issues. Based on these circumstances, efforts to contribute to the improvement of inclusive education will be promoted in Saint Lucia, Belize, and other countries. In the rest of the countries, efforts will be made to improve the education sector through the dispatch of volunteers and training programs.

Agriculture and Fisheries Development Program

- Fisheries Sector Development: In CARICOM countries, which are dependent on external tourism income and food imports, the promotion of the fisheries sector is important from the perspective of food security, livelihood and employment. Further utilization of fisheries facilities constructed through grant aid in the past and cooperation with the Caribbean Regional Fisheries Organization (CRFM), which is in charge of fisheries projects in CARICOM, will be provided for human resource development through training and technical cooperation including the aspects of food value chains.
- Marine Resource Conservation: In addition to conservation of existing coastal fisheries resources, cooperation will be implemented with a view to collaboration with the tourism industry, and knowledge will be actively disseminated at international conferences and other forums related to SIDS development.

- Agricultural Sector Development: In Haiti, from the perspective of food security, the project aims to increase sustainable agricultural productivity with consideration for the natural environment. In other countries where the agricultural sector is of high importance, cooperation in the agricultural sector with the aspect of the food value chain, will be provided from the perspective of economic development and industrial promotion.

Private Sector Development Program

- CARICOM countries have become a major destination for Resorts and Cruise ships, and while tourism accounts for a large portion of their economies, much of it is consisted of foreign investments, so the income from tourism is not necessarily given back to the community or the country. Since tourism will continue to be the main source of income in the future, it is crucial to promote community-based tourism/eco tourism, rather than relying solely on foreign capital.
- Diversification of the industry is also an urgent issue, as the high dependence on tourism directly affected the economy due to border restriction caused by the COVID-19 and natural disasters. Given these circumstances, there is a high need for cooperation to promote local industries, support venture capitals, and improve competitiveness. Future cooperation will include the formation of new industries and consideration of cooperation for the development of sustainable tourism.

CARICOM Development and Collaboration Promotion Program

- In addition to being a regional organization, CARICOM is unique in the sense that it has specialized partner organizations. On the other hand, there is currently little cooperation among CARICOM partner organizations and among member countries. In order to ensure greater impact and sustainability, it is necessary to promote knowledge sharing and mutual cooperation within the region.
- Future cooperation will include the dispatch of experts to the CARICOM Secretariat and cooperation to strengthen networking and collaboration among the member organizations.
- Currently collaboration and knowledge sharing among the SIDS is insufficient, and it is desirable to cooperate collectively with SIDS that have similar population and economic size and issues. From this viewpoint, we aim to cooperate and provide

peer-learning opportunity, with other regional organizations including the African Union and Oceania region.